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SUBJECT: BRAZIL CIVAIR: AMBASSADOR MEETS WITH US AIRLINES

SENSITIVE BUT UNCLASSIFIED--PLEASE PROTECT ACCORDINGLY

REF: A: BRASILIA 0222
B: 07 SAO PAULO 0619
C: 07 BRASILIA 2309
D: BRASILIA 0094
E: 07 SAO PAULO 0915

11. (U) SUMMARY: On February 19 the Ambassador met with representatives from U.S. carriers American, Delta, and United Airlines to elicit their views on the Sao Paulo International Airport Guarulhos (GRU) parking fee dispute, follow up on bilateral aviation negotiations, discuss the domestic and international markets, and lay out future coordination efforts. The three carriers expressed optimism that ANAC would come to a positive resolution on the GRU dispute. The Ambassador also solicited suggestions for future Washington, DC meetings for Defense Minister Jobim and ANAC personnel. Subsequently, the Ambassador met with Jobim on Feb. 24 at which time Jobim reconfirmed his view there would be a positive resolution to the Guarulhos issue. END SUMMARY.

Guarulhos Parking Fee Dispute

12. (SBU) The Ambassador opened the meeting by summarizing the Mission's meetings on February 13 and 14 with Defense Minister Jobim and the National Agency for Civil Aviation (ANAC) and inquired on the airlines' sense of where the dispute is headed (Ref A). Erli

Rodrigues from American Airlines (AA) noted that the current team at ANAC appears more technically prepared than previous teams, but that they overreacted after the July 2007 accident at Congonhas (Ref B). The airlines referenced a particularly productive meeting with ANAC in late January in which the International Air Transport Association (IATA) presented their ideas on possible alternatives. The airlines were confident that ANAC was receptive to their concerns and understood that the consequences are more far-reaching than they had initially envisioned. (They pointed to ANAC Director Alexandre Barros as being particularly helpful.) They also noted that the Christmas and Carnival travel seasons went smoothly, which may have helped to alleviate the sense of crisis.

¶3. (SBU) The three international carriers told the Ambassador that they are sponsoring an IATA technical study for USD 200,000 regarding the GRU parking issue, and are confident that study will demonstrate to ANAC that there are viable alternatives to increase aircraft parking capacity at the airport. All the airlines agreed that the best USG approach at this time was to give ANAC some time to work this out, particularly because ANAC is indicating that they will have an interim solution announced by the end of March. That being said, the airlines reiterated that as a last resort they have "the pieces in place to push quickly and hard if the dispute takes a turn for the worse". The Ambassador requested that they keep the Mission abreast of any changes on this issue, but for the time-being noted that the USG is inclined not to pursue an antagonistic approach.

¶4. (U) Note: Following the meeting, Rodrigues informed the Mission that IATA's Country Manager Felipe Reis reported a successful meeting with ANAC and INFRAERO that week. He noted that ANAC had presented results in line with those of the IATA study towards a

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positive resolution to the fee dispute. Reis highlighted INFRAERO's positive approach and that it had outlined a contingency plan for when GRU's maximum parking capacity of 68 aircraft was exceeded. They agreed that the final results of the study would hopefully be announced at their next meeting the week of March 3. End Note.

Bilateral Negotiations

¶5. (SBU) The Ambassador provided a summary on the USG-GOB discussions over the past two months in the aftermath of the December 2007 negotiations (Refs C and D). In particular, he noted conversations with ANAC Director-President Solange Vieira in which she indicated that the U.S. airlines (passenger and freight) should not be shy about providing their wish-list for additional frequencies. The Ambassador encouraged the airlines to seize the opportunity to make such requests known and highlighted that the ball is in the industry's court to move forward. The Ambassador shared his sense that consensus on freight negotiations is achievable and that the GOB would be open to further discussions on code-sharing.

Domestic Market

¶6. (SBU) The Ambassador noted the recent news about JetBlue founder and former President David Neeleman's intentions to enter the Brazilian market. Rodrigues underscored the potential for expansion in the domestic market. Michael Guenther from United Airlines (UAL) recalled that Neeleman is close to Brazilian low-cost carrier GOL's president Constantino Jr. However, he was unsure whether it would be a private business venture or JetBlue's attempt to enter the market. (Note: According to local press reports, Neeleman was in Brazil to negotiate the purchase of 36 small Embraer aircraft. Neeleman would target the intermediary market between GOL/TAM and the small regional companies, with an eventual hub in Viracopos-Campinas Airport in Sao Paulo State. Because Neeleman is a dual citizen, his company would not be constrained by foreign ownership limits in the aviation sector. If news reports are accurate, Neeleman intends to begin operation by the end of 2008. End Note.)

¶17. (SBU) Regarding the dominant Brazilian carriers TAM and GOL, AA predicted that GOL would soon catch up with TAM's size and operations. Rodrigues highlighted the new relationship between GOL and Air France for Paris routes as an example. The Ambassador also solicited views about Brazilian low-cost carrier OceanAir and the obstacles it is facing that are preventing the company from scaling up to offer more flights and options. Rodrigues noted that German Efromovich, the owner of OceanAir, is working with Colombia's successful Avianca airline, but did not have particular insights about OceanAir's plans in Brazil.

International Market

¶18. (SBU) The Ambassador referenced his October 2007 meeting with GOL in which Constantino Jr. spoke about the company's desire to enter the U.S. market (Ref E). Guenther predicted that GOL will initiate its U.S. expansion by the end of 2008. Rodrigues recalled that the Brazilian carriers had to move quickly over the past couple

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of months to begin service to Europe to avoid losing those routes, but no such immediacy exists for routes to the U.S. where there are many unused frequencies still available for Brazilian carriers. (Note: only about one-third of Brazil's 105 frequencies to the U.S. are currently being used. End note.)

¶19. (SBU) The Ambassador pointed to Portuguese carrier TAP's successful new routes linking Lisbon directly to Brasilia and Belo Horizonte. Guenther noted that part of their success is due to the fact that they use Lisbon as a hub for onward flights to Europe and Asia.

Future Coordination

¶10. (SBU) The Ambassador noted that Jobim will be traveling soon to Washington, DC which provided the opportunity for further aviation discussions. The Ambassador recommended that the airlines provide summaries of the key issues together with ideas for improving coordination between the GOB and INFRAERO. The three interlocutors suggested keeping the communication channels open, noting that better, more regular communication between the airlines, INFRAERO, and ANAC might have prevented the unfortunate December airport parking proposal. The Ambassador also noted that the Embassy is working to get an ANAC team to Washington, DC soon and elicited scheduling ideas. Given UAL's Dulles hub, Guenther offered to take the lead in providing eventual ideas and assistance.

¶12. (SBU) Note: Rodrigues subsequently provided an outline of the following communication channels within the industry including three active channels: the Airport Operators Committee, the International Airlines Board, and the National Union of Airlines as well as one inactive group, the Facilitation Committee, which includes the three previous groups plus all other moving parts that are involved in the operation of an airport. End Note.

¶13. This cable was cleared and coordinated with the Embassy in Brasilia and Ambassador Sobel.

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